

**House File 604 - Introduced**

HOUSE FILE 604

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 170)

**A BILL FOR**

- 1 An Act establishing a motor vehicle insurance verification
- 2 program, establishing fees, and including penalty and
- 3 effective date provisions.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 321.11, subsection 3, Code 2017, is  
2 amended to read as follows:

3 3. Notwithstanding other provisions of **this section** to the  
4 contrary, the department shall not release personal information  
5 to a person, other than to an officer or employee of a law  
6 enforcement agency, an employee of a federal or state agency  
7 or political subdivision in the performance of the employee's  
8 official duties, a contract employee of the department of  
9 inspections and appeals in the conduct of an investigation, or  
10 a licensed private investigation agency or a licensed security  
11 service or a licensed employee of either, if the information is  
12 requested by the presentation of a registration plate number.  
13 However, the department may release personal information to the  
14 department's designated agent for the purposes of chapter 321B.  
15 In addition, an officer or employee of a law enforcement agency  
16 may release the name, address, and telephone number of a motor  
17 vehicle registrant to a person requesting the information by  
18 the presentation of a registration plate number if the officer  
19 or employee of the law enforcement agency believes that the  
20 release of the information is necessary in the performance of  
21 the officer's or employee's duties.

22 Sec. 2. NEW SECTION. 321B.1 **Short title.**

23 This chapter shall be known and may be cited as the "*Motor*  
24 *Vehicle Insurance Verification Act*".

25 Sec. 3. NEW SECTION. 321B.2 **Definitions.**

26 As used in this chapter, unless the context otherwise  
27 requires:

28 1. "*Advisory council*" means the group established pursuant  
29 to section 321B.3, subsection 2.

30 2. "*Database*" means the motor vehicle insurance verification  
31 database created under this chapter.

32 3. "*Department*" means the department of transportation.

33 4. "*Designated agent*" means the third party with which the  
34 department contracts under section 321B.3.

35 5. "*Financial institution*" means financial institution as

1 defined in 18 U.S.C. §20.

2 6. "*Motor vehicle*" means motor vehicle as defined in section  
3 321.1.

4 7. "*Program*" means the motor vehicle insurance verification  
5 program created under this chapter.

6 8. "*Real-time internet services model*" means an electronic  
7 service established by insurers through the internet, the  
8 world wide web, or a similar proprietary or common carrier  
9 electronic system that complies with the specifications and  
10 standards of the insurance industry committee on motor vehicle  
11 administration and that is available twenty-four hours per  
12 day, seven days per week, subject to reasonable allowances for  
13 scheduled maintenance or temporary system failures.

14 Sec. 4. NEW SECTION. 321B.3 **Motor vehicle insurance**  
15 **verification program — advisory council.**

16 1. A motor vehicle insurance verification program is  
17 created within the department to be administered by the  
18 department. The purposes of the program include all of the  
19 following:

20 a. To establish a motor vehicle insurance verification  
21 database to verify compliance with the requirements of section  
22 321.20B.

23 b. To assist in reducing the number of uninsured motor  
24 vehicles on the highways of the state.

25 c. To assist in increasing compliance with motor vehicle  
26 registration requirements and for other law enforcement  
27 purposes.

28 d. To assist in protecting the bona fide security interests  
29 of financial institutions in motor vehicles.

30 2. a. The department shall establish an advisory council,  
31 chaired by the director of the department or a representative  
32 of the department appointed by the director, consisting of  
33 six members including the director of the department or the  
34 representative of the department appointed by the director,  
35 a representative of the department of public safety, an

1 insurance company representative appointed by the commissioner  
2 of insurance, an insurance agent appointed by the commissioner  
3 of insurance, a representative of a trade association of  
4 property and casualty insurers appointed by the commissioner  
5 of insurance, and a representative of a vendor with experience  
6 implementing real-time internet services models and databases  
7 similar to the database created under this chapter appointed by  
8 the director of the department.

9 *b.* The advisory council shall do all of the following:

10 (1) Make recommendations to the department on the best  
11 methods and practices for implementing a real-time internet  
12 services model for insurance verification.

13 (2) Assist in the development of a guide for insurers  
14 detailing the data fields and other information necessary for  
15 compliance with this chapter.

16 (3) Provide an annual report to the department detailing the  
17 improvements and implementation efforts relating to insurance  
18 verification in other states for consideration in improving  
19 compliance and operations in this state.

20 3. Following the competitive bidding procedures as provided  
21 in chapter 8A, subchapter III, the department shall contract  
22 with a third party to act as the department's designated agent  
23 for administration of this chapter. For the period of the  
24 contract, the designated agent shall establish and maintain a  
25 computer database containing the following information:

26 *a.* Information provided by insurers under section 321B.5.

27 *b.* Information provided by the department under subsection  
28 6.

29 *c.* Information obtained using a real-time internet services  
30 model.

31 *d.* Any other information provided by the department pursuant  
32 to this chapter.

33 4. The database shall be developed and maintained, and  
34 access to a real-time internet services model shall be  
35 provided, in accordance with guidelines established by the

1 department by rule to allow authorized state and local law  
2 enforcement agencies and financial institutions to efficiently  
3 access the records of the database and real-time internet  
4 services model, including reports useful for the implementation  
5 of this chapter, twenty-four hours per day, seven days  
6 per week, subject to reasonable allowances for scheduled  
7 maintenance or temporary system failures.

8     *a.* Database reports shall be in a form and contain  
9 information approved by the department.

10     *b.* Database reports may be made available through the  
11 department's internet site or through other electronic media  
12 if the department determines that sufficient security is  
13 provided to ensure compliance with the provisions of this  
14 chapter regarding limitations on disclosure of information in  
15 the database.

16     *c.* The department shall consult with the chief information  
17 officer appointed under section 8B.2 for the purpose of  
18 developing network security requirements for the database.

19     5. At least twice monthly, the designated agent shall do the  
20 following, using information provided by the department:

21     *a.* Update the database with motor vehicle insurance  
22 information provided by insurers in accordance with section  
23 321B.5.

24     *b.* Compare all current motor vehicle registrations against  
25 the database. If records in the database indicate that a  
26 registered motor vehicle is not covered under an owner's  
27 policy of liability insurance, the designated agent shall  
28 use a real-time internet services model to determine if the  
29 registered motor vehicle is covered under an owner's policy of  
30 liability insurance.

31     6. On or before the seventh day of each calendar month, the  
32 department shall provide the designated agent with the make,  
33 model, year, and vehicle identification number of each vehicle  
34 in the department's motor vehicle database, and the name and  
35 address of each person listed on each vehicle's registration.

1 7. The department shall adopt rules in accordance with  
2 chapter 17A establishing procedures for the use of the  
3 department's motor vehicle database for the purposes of  
4 administering and enforcing this chapter.

5 8. *a.* The designated agent shall archive database files at  
6 least semiannually for auditing purposes.

7 *b.* The department shall audit the program at least annually.  
8 The audit shall include verification of:

9 (1) Billings made by the designated agent.

10 (2) The accuracy of the designated agent's matching of  
11 vehicle registration records with insurance data.

12 **Sec. 5. NEW SECTION. 321B.4 Enforcement of financial**  
13 **responsibility requirements — penalty.**

14 1. If records in the database and the real-time internet  
15 services model used by the designated agent indicate that a  
16 registered motor vehicle is not covered under an owner's policy  
17 of liability insurance for three consecutive months, at the  
18 direction of the department the designated agent shall provide  
19 notice by first-class mail to the owner of the motor vehicle  
20 that the owner has fifteen days from the date the notice was  
21 mailed to provide one of the following:

22 *a.* Proof of financial liability coverage as defined in  
23 section 321.1, subsection 24B.

24 *b.* Proof that the owner is exempt from the requirement to  
25 maintain proof of financial liability coverage under section  
26 321.20B.

27 2. If, after fifteen days, the owner of the motor vehicle  
28 fails to provide satisfactory proof of financial liability  
29 coverage, the designated agent shall provide a second notice  
30 by first-class mail to the owner of the motor vehicle allowing  
31 the owner an additional fifteen days from the date the second  
32 notice was mailed to provide the information requested under  
33 subsection 1.

34 3. *a.* The designated agent shall update the database  
35 regarding each notice sent to a motor vehicle owner under

1 subsections 1 and 2, indicating the information provided by the  
2 motor vehicle owner or the owner's failure to provide proof of  
3 financial liability coverage, as applicable.

4 *b.* If the owner of a motor vehicle provides proof to the  
5 department or the designated agent that the owner's motor  
6 vehicle is covered by an acceptable form of financial liability  
7 coverage described in section 321.1, subsection 24B, paragraph  
8 "b", "c", or "d", the information shall be recorded in the  
9 database.

10 *c.* If the designated agent determines the motor vehicle  
11 is appropriately insured using a real-time internet services  
12 model, the information shall be recorded in the database.

13 4. *a.* If the owner of a motor vehicle fails to provide  
14 proof of financial liability coverage following receipt of the  
15 second notice under subsection 2, the designated agent shall  
16 notify the department, and the department shall suspend the  
17 registration of the motor vehicle.

18 *b.* The department shall provide to the owner of the motor  
19 vehicle appropriate notice of the suspension, order the owner  
20 to surrender the registration plates and registration receipt  
21 for the vehicle to the county treasurer, advise the owner of  
22 the legal consequences of operating a vehicle with a suspended  
23 registration and without financial liability coverage, and  
24 instruct the owner on how to reinstate the vehicle registration  
25 once the owner has obtained financial liability coverage for  
26 the vehicle.

27 5. *a.* A person shall not provide a false or fraudulent  
28 statement to the department or the department's designated  
29 agent in regard to proceedings under this chapter.

30 *b.* In addition to any other penalties, a person who violates  
31 paragraph "a" is guilty of a simple misdemeanor.

32 6. A suspension of registration under this chapter is in  
33 addition to any other penalty imposed by law. This chapter  
34 does not affect other actions or penalties that may be taken or  
35 imposed for a violation of section 321.20B or other law.

1 7. *a.* A registration that has been suspended under this  
2 section shall not be reinstated and a registration shall not be  
3 issued to the holder of the suspended registration until the  
4 person does all of the following:

5 (1) Pays to the department an administrative reinstatement  
6 fee of one hundred dollars, in addition to any other penalty  
7 imposed by law.

8 (2) Complies with the requirements of section 321.20B and  
9 this chapter.

10 *b.* Reinstatement fees collected under this subsection shall  
11 be retained by the department as repayment receipts as defined  
12 in section 8.2 and shall be used exclusively to offset the  
13 costs of administering the program, including payments made by  
14 the department to the department's designated agent.

15 Sec. 6. NEW SECTION. 321B.5 Motor vehicle insurance  
16 reporting — penalty.

17 1. *a.* Except as provided in paragraph "b", each insurer  
18 that issues a policy to a motor vehicle owner in this state  
19 that includes motor vehicle liability coverage, uninsured  
20 motorist coverage, underinsured motorist coverage, or  
21 personal injury coverage shall, on or before the seventh  
22 and twenty-first days of each calendar month, submit to the  
23 department's designated agent a record of each motor vehicle  
24 insurance policy that was issued by the insurer and in effect  
25 for a vehicle registered or garaged in this state as of the  
26 date of the previous submission.

27 *b.* An insurer is not required to provide a record of a motor  
28 vehicle insurance policy under paragraph "a" if the policy  
29 covers a vehicle that is registered under chapter 326.

30 *c.* This subsection does not preclude more frequent  
31 reporting.

32 2. A record provided by an insurer under subsection 1,  
33 paragraph "a", shall include all of the following:

34 *a.* The name, date of birth, and driver's license number, if  
35 the insured provides a driver's license number to the insurer,

1 of each insured owner or operator, and the address of the named  
2 insured.

3     *b.* The make, year, and vehicle identification number of each  
4 insured vehicle.

5     *c.* The policy number and effective date of each policy.

6     3. An insurer shall provide the information required under  
7 this section via electronic means or via another means the  
8 designated agent agrees to accept.

9     4. *a.* The department may assess a civil penalty of not more  
10 than two hundred fifty dollars for each day an insurer fails to  
11 comply with this section.

12     *b.* If an insurer shows that the failure to comply with this  
13 section was inadvertent, accidental, or the result of excusable  
14 neglect, the department may waive the civil penalty.

15     *c.* An insurer that discloses records to the department's  
16 designated agent in a reasonable, good-faith effort to comply  
17 with the requirements of this section shall not be subject to a  
18 civil penalty under paragraph "a".

19     Sec. 7. NEW SECTION. 321B.6 Disclosure of database  
20 information — penalty.

21     1. Information provided to the designated agent and  
22 information contained in the database under this chapter are  
23 confidential and subject to the provisions and penalties of 18  
24 U.S.C. §2721. Such information may not be disclosed, except  
25 as follows:

26     *a.* For the purpose of investigating, litigating, or  
27 enforcing the financial liability coverage requirements  
28 of section 321.20B, the designated agent shall provide an  
29 electronic record to a state or local government agency or  
30 court verifying motor vehicle financial liability coverage  
31 information.

32     *b.* For the purpose of investigating, litigating, or  
33 enforcing the financial liability coverage requirements of  
34 section 321.20B, the designated agent shall, upon request,  
35 issue to any state or local government agency or court a

1 certificate documenting motor vehicle financial liability  
2 coverage, according to the database, of a specific individual  
3 or motor vehicle for the time period designated by the  
4 government agency or court.

5 *c.* Upon request, the department or its designated agent  
6 shall disclose whether an individual is covered under a motor  
7 vehicle insurance policy, proof of the insurance coverage  
8 policy, and the insurance company name to:

9 (1) The individual or, if the individual is deceased,  
10 any person who is an interested party in the estate of the  
11 individual as provided under chapter 633.

12 (2) The parent or legal guardian of the individual if the  
13 individual is an unemancipated minor.

14 (3) The legal guardian of the individual if the individual  
15 is legally incapacitated.

16 (4) A person who has power of attorney for the individual.

17 (5) A person who submits a notarized release from the  
18 individual dated no more than ninety days before the date the  
19 request is made.

20 (6) A person suffering loss or injury in a motor vehicle  
21 accident in which the individual was involved, but only as part  
22 of an accident report as authorized in section 321.271 relating  
23 to access to accident reports.

24 *d.* For the purpose of investigating, enforcing, or  
25 prosecuting laws or issuing citations, information related to a  
26 motor vehicle owner or operator's financial liability coverage  
27 under section 321.20B may be provided to state or local law  
28 enforcement agencies.

29 *e.* Upon request of a peace officer acting in an official  
30 capacity under the provisions of paragraph "*d*", the department  
31 or the designated agent shall, upon request, disclose relevant  
32 information contained in the database.

33 *f.* For the purpose of the state auditor conducting audits  
34 of the program.

35 *g.* Upon request of a financial institution for the purpose

1 of protecting the financial institution's bona fide security  
2 interest in a motor vehicle.

3 2. a. The department may allow the designated agent to  
4 prepare and deliver, upon request, a report on the insurance  
5 information of a person or motor vehicle in accordance with  
6 this section. The report may be in the form of:

7 (1) A certified copy that is considered admissible in any  
8 court proceeding in the same manner as the original.

9 (2) Information accessible through the internet or through  
10 another electronic medium if the department determines that  
11 sufficient security is provided to ensure compliance with this  
12 section.

13 b. The department may allow the designated agent to charge a  
14 fee established by the department for each of the following:

15 (1) Authenticating a document, including preparation and  
16 delivery of a certified copy.

17 (2) Accessing a record through the internet or through  
18 another electronic medium.

19 (3) Providing a record to a financial institution under  
20 subsection 1, paragraph "g".

21 3. The designated agent or any other person who knowingly  
22 releases or discloses information from the database for a  
23 purpose other than those authorized in this section or to a  
24 person who is not entitled to such information is guilty of a  
25 class "D" felony.

26 4. Neither the state nor the department's designated agent  
27 shall be liable to any person for gathering, managing, or  
28 using the information in the database in compliance with this  
29 chapter.

30 5. The designated agent shall be responsible for  
31 maintaining and securing the information in the database  
32 provided by the department and insurers under sections 321B.3  
33 and 321B.5.

34 6. An insurer acting in compliance with this chapter shall  
35 not be liable to any person for the disclosure of information

1 supplied to the department or designated agent. The designated  
2 agent shall indemnify an insurer against any loss arising from  
3 the disclosure of information supplied to the department or  
4 designated agent, provided the insurer supplied the information  
5 to the department or designated agent in a manner that complies  
6 with this chapter and rules adopted pursuant to this chapter.  
7 Records provided by an insurer under this chapter shall be  
8 deemed evidence of insurance and not a guarantee of insurance.

9 Sec. 8. EFFECTIVE DATE. This Act takes effect July 1, 2019.

10 EXPLANATION

11 The inclusion of this explanation does not constitute agreement with  
12 the explanation's substance by the members of the general assembly.

13 This bill establishes a motor vehicle insurance verification  
14 program to be administered by the department of transportation  
15 (DOT). Following the appropriate competitive bidding  
16 procedures, the DOT is required to contract with a third party  
17 to act as the DOT's designated agent for administration of the  
18 program.

19 The bill requires the DOT to establish an advisory council  
20 to make recommendations to the DOT on the best methods and  
21 practices for implementing a real-time internet services model  
22 for insurance verification, to assist in the development of  
23 a guide for insurers detailing the data fields and other  
24 information necessary for compliance with the bill, and to  
25 provide an annual report to the DOT detailing the improvements  
26 and implementation efforts relating to insurance verification  
27 in other states for consideration in improving compliance and  
28 operations in this state.

29 The designated agent is required to establish and maintain a  
30 database containing information from insurers relating to motor  
31 vehicle insurance coverage for registered motor vehicles, motor  
32 vehicle identification information, personal identification  
33 information for registered owners of motor vehicles, and any  
34 other information provided to the designated agent by the DOT.  
35 At least twice per month, the designated agent must update the

1 database and compare current motor vehicle registrations with  
2 updated insurance information. If records in the database  
3 indicate that a registered motor vehicle is not covered under  
4 an owner's policy of liability insurance, the bill requires the  
5 designated agent to use a real-time internet services model  
6 to determine if the registered motor vehicle is covered under  
7 an owner's policy of liability insurance. The files in the  
8 database must be archived semiannually and audited by the DOT  
9 at least annually.

10 If database records and the real-time internet services  
11 model show that a registered motor vehicle is not covered under  
12 an owner's policy of liability insurance for three consecutive  
13 months, the designated agent is required to send a notice  
14 to the owner requiring the owner to respond within 15 days  
15 by providing proof of financial liability coverage or proof  
16 that the owner is exempt from the requirement to maintain  
17 financial liability coverage. If the owner fails to respond,  
18 a second notice must be sent. If the owner does not respond  
19 to the second notice, the owner's motor vehicle registration  
20 must be suspended by the DOT and the owner is required to  
21 surrender the registration plates and registration receipt for  
22 the vehicle to the county treasurer. In order to reinstate  
23 the registration for the vehicle, the owner must comply with  
24 financial responsibility requirements and pay an administrative  
25 fee of \$100. The fees collected are to be used by the DOT  
26 exclusively to offset the costs of administering the program,  
27 including payments made to the designated agent.

28 The bill provides that if a motor vehicle is covered by a  
29 form of financial liability coverage other than an insurance  
30 policy, or if a real-time internet services model indicates a  
31 vehicle is appropriately insured, that fact shall be noted in  
32 the database.

33 The bill prohibits a person from providing false or  
34 fraudulent information to the DOT or the DOT's designated  
35 agent in relation to the motor vehicle insurance verification

1 program. A violation of this provision is a simple  
2 misdemeanor.

3 The bill requires each insurer that issues a policy to the  
4 owner of a motor vehicle that includes motor vehicle liability  
5 coverage, uninsured motorist coverage, underinsured motorist  
6 coverage, or personal injury coverage to, before the 7th and  
7 the 21st of each month, provide the DOT's designated agent with  
8 a record of each motor vehicle insurance policy issued by the  
9 insurer and in effect for vehicles registered or garaged in  
10 the state as of the date of the previous submission. Vehicles  
11 subject to apportioned registration under Code chapter 326 are  
12 not included in this requirement. Insurers that fail to comply  
13 with the reporting requirement may be assessed a civil penalty  
14 of \$250 per day. However, the DOT may waive the penalty upon a  
15 showing that the failure was inadvertent, accidental, or the  
16 result of excusable neglect. An insurer that discloses records  
17 to the DOT's designated agent in a reasonable, good-faith  
18 effort to comply with the bill is not subject to the penalty.

19 Information contained in the database is confidential, but  
20 the bill provides exceptions for certain disclosures, including  
21 disclosures to state or local government agencies and courts  
22 for specified purposes, to individuals and certain other  
23 authorized persons, for purposes of an accident investigation,  
24 to law enforcement agencies and peace officers for certain  
25 official purposes, to the state auditor, and to financial  
26 institutions with a security interest in a motor vehicle.  
27 The designated agent may be authorized by the DOT to provide  
28 certified copies or electronic records, as appropriate, and to  
29 charge a fee for the provision of records and authentication  
30 of documents.

31 A person, including the designated agent, who knowingly  
32 releases or discloses information from the database for a  
33 purpose other than those authorized in the bill or to a person  
34 who is not entitled to such information is guilty of a class  
35 "D" felony.

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1 The bill provides that the state and the DOT's designated  
2 agent are not liable to any person for gathering, managing, or  
3 using the information in the database in compliance with the  
4 bill. The bill further provides that the designated agent is  
5 responsible for maintaining and securing the information in the  
6 database provided by the DOT and insurers, and insurers acting  
7 in compliance with the bill are not liable to any person for  
8 the disclosure of information supplied to the DOT or designated  
9 agent. The designated agent is required to indemnify an  
10 insurer against any loss arising from a disclosure, provided  
11 the insurer supplied the information in compliance with the  
12 bill.

13 The bill takes effect July 1, 2019.